HARDER THAN IT LOOKS

With markets so rapidly changing, it's easy to imagine how property appraisers might sit in a darkened room, waving their hands over a crystal ball, and producing the mysterious and all-powerful document of a home's value. Let's dispel the notion of magical figures and look more carefully at the process.

When comparing against similar properties, it's not just the final price that counts. Appraisers also factor in any "incentives" offered, such as sellers who pay closing costs or remodeling allowances.

Perhaps the most important factor that lenders review in an appraisal is the closing dates of the "comparables" (other homes by which yours is measured). Comparables or "comps" must have sold within the last 6 months to carry weight. Markets change so quickly that any sale price over two months old may be completely irrelevant.

Now a few words about how foreclosures in a neighborhood affect determination of value. Technically, appraisers shouldn't consider them, because they don't fit the Appraisal Institute's definition of "a property reasonably exposed in a competitive market." However, if several area homes have been abandoned, we know the negative effect that can have on a home's “perceived” value.

If you're planning to sell, express your concerns about the appraisal process to your representative, who will offer explanations and suggestions for improving your report’s results.

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Whelan Realty, LLC
John Whelan
(910) 673-1818
WhelanRealty.com
John@WhelanRealty.com